

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Periodic Reporting  
(Proposal One)

Docket No. RM2017-5

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued June 27, 2017)

On June 14, 2017, the Commission issued Order No. 3959, establishing this docket to initiate a rulemaking proceeding to consider a proposed change to an analytical method used in periodic reporting.<sup>1</sup> To assist the Commission in evaluating Proposal One, the Postal Service is requested to provide written responses to the following questions and requests for information. The responses should be provided as soon as possible, but no later than July 11, 2017.

1. Please refer to Table A in Proposal One at 7, which shows Proposal One's impact on volume and revenue for Insured, Cash on Delivery (COD), and Registered Mail.<sup>2</sup> The Postal Service states that PC Postage and meter pieces constituted only 7 percent of total COD revenue, piece, and weight (RPW) volume in FY 2016. *Id.* at 6-7. However, if Proposal One were implemented, the portion of PC Postage and meter COD pieces would be over 51 percent of the

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal One), June 14, 2017 (Order No. 3959).

<sup>2</sup> Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), June 7, 2017 (Petition). Proposal One is an attachment to the Petition (Proposal One).

total COD RPW volume.<sup>3</sup> Table A also shows an almost 46 percent increase in revenue per piece, from \$7.20 to \$10.50. Proposal One at 7. Please fully explain the changes in characteristics of the PC Postage and meter volumes between the Origin Destination Information System (ODIS)-RPW sampling volumes and the proposed census data volumes that would produce such a large increase in revenue per piece for the PC Postage and metered COD pieces.

2. The Postal Service states that the proposed change would substantially improve the cost coverage of COD due to the additional revenue recognized using census data. Proposal One at 5. This additional revenue is due to the almost doubling of volume for COD. While this additional volume would increase revenues, the Postal Service assumes that there will be no change in the costs for COD, despite the increase in volume. As the table below shows, while the revenue per piece for COD changes slightly, the cost per piece is cut in half, doubling the cost coverage in FY 2016 from 41.1 percent to 81.6 percent.

**Comparison of Proposal One Estimated COD Volume, Revenue, & Cost - FY 2016**

	Revenue (\$ Millions)	Cost (\$ Millions)	Volume (000)	Rev/Pc	Cost/Pc	Coverage
Current FY 2016	2.0	4.9	201	10.095	24.582	41.1%
Proposed FY 2016	4.0	4.9	388	10.394	12.735	81.6%

**Source:** *Current FY 2016 - Docket ACR2016, Library Reference USPS-FY16-1, FY 2016 Cost and Revenue Analysis at 2 and 5.*  
*Proposed FY 2016 - Current FY 2016 plus Differences from Table A, Proposal One, Docket No. RM2017-5*

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<sup>3</sup> United States Postal Service Public Cost and Revenue Analysis Fiscal Year 2016 Finance (CR Analysis) shows total COD volume for FY 2016 at 202,000. CR Analysis at 5. Table A indicates that Proposal One would have detected 186,000 additional PC postage and meter COD pieces for a total of 200,000 PC postage and meter COD pieces. Proposal One at 7. This increased volume of PC postage and meter COD pieces would represent 51 percent of the adjusted COD volume of 388,000 (202,000 + 186,000).

Since both the ODIS-RPW and the In-Office Cost System (IOCS) are statistical sampling systems, please detail the differences in the systems regarding coefficients of variance, sample sizes, and confidence intervals for COD and discuss the accuracy of IOCS given the magnitude of the change in volume due to the proposed switch to census data.

3. The Postal Service states that the PC Postage and meter volumes constitute a small share of the total volumes for Insurance, COD, and Registered Mail at 5 percent, 7 percent, and 10 percent, respectively. Proposal One at 6-7.
  - a. Please confirm that under the proposed methodology the volume shares of PC Postage and meters for Insurance, COD, and Registered Mail will be 7 percent, 52 percent, and 13 percent, respectively.<sup>4</sup>
  - b. What are the current proportions of total volume for Insurance, COD, and Registered Mail that are determined from the ODIS-RPW statistical sampling system?
  - c. What will the proportions of total volume be for Insurance, COD, and Registered Mail that are derived from the ODIS-RPW statistical sampling system under Proposal One?
  - d. What proportion of the total volume of all classes and special services will be estimated using ODIS-RPW after implementation of Proposal One?
4. As more volume and revenue data collection moves from the ODIS-RPW statistical sampling regime to the use of census data, what are the implications, if any, for the accuracy of the remaining pieces that will still be estimated based on

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<sup>4</sup> These volume shares are derived by adding the differences in Table A of Proposal One to the CR Analysis volumes for Insurance, COD, and Registered Mail and dividing the proposed volumes from Table A by the adjusted CR Analysis volumes.

the ODIS-RPW statistical sampling? Will the statistical sampling data become more accurate or less accurate?

By the Chairman.

Robert G. Taub